# Canada Revenue Agency

## 2010-2011
## Estimates

### Report on Plans and Priorities

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The Honourable Keith Ashfield, P.C., M.P.
Minister of National Revenue and
Minister of the Atlantic Canada Opportunities Agency and
Minister for the Atlantic Gateway

## Mission

To administer tax, benefits, and related programs, and ensure compliance on behalf of governments across Canada, thereby contributing to the ongoing economic and social well-being of Canadians.

## Vision

The CRA is the model for trusted tax and benefit administration, providing unparalleled service and value to its clients, and offering its employees outstanding career opportunities.

## Values

Integrity
Professionalism
Respect
Co-operation

## Promise

Contributing to the well-being of Canadians and the efficiency of government by delivering world-class tax and benefit administration that is responsive, effective, and trusted.

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# Message from the Minister

I am honoured to have been recently appointed Minister of National Revenue. I look forward to leading an organization that has earned the confidence of Canadians through fairness, accountability, and integrity.

Our government is committed to securing the future prosperity of our nation. Implicit in this commitment is the agreement that governments throughout Canada, individual Canadians, and Canadian businesses contribute to our economy by conscientiously fulfilling their fiscal obligations. During the recent period of economic uncertainty, our government's Economic Action Plan (EAP) has helped our country reach our current stage of economic stabilization.

The Canada Revenue Agency (CRA) is playing a key role to the successful implementation of many EAP initiatives like personal income tax relief, an increased Working Income Tax Benefit and the new Home Renovation Tax Credit, as well as other measures targeted to help families, seniors, workers, and persons with disabilities. Through corporate income tax reductions, we are providing support to businesses of all sizes to maintain and create jobs that will strengthen the Canadian economy. To carry out this work, we rely on a world-class tax and benefit delivery system.

While the CRA has been successful in protecting Canada's revenue base, it is clear that there will be future challenges to our ability to do so. Recognizing both our strengths and limitations, our *Report on Plans and Priorities 2010-2011* outlines an ambitious agenda that explores existing and anticipated risks and opportunities in greater depth while working for immediate results for Canadians.

As Minister of National Revenue, I am proud to have been given the opportunity to witness the professional and dedicated employees of the Canada Revenue Agency. I look forward to working with this organization in its ongoing pursuit of excellence.

The Honourable Keith Ashfield, P.C., M.P.
Minister of National Revenue,
Minister of the Atlantic Canada Opportunities Agency and
Minister for the Atlantic Gateway

# Message from the Commissioner

As the new Commissioner of the Canada Revenue Agency (CRA), I take pride in becoming a part of such an outstanding public service organization as it embarks on its second decade. I firmly believe the success of an organization lies in the strength of its employees, and am very aware that CRA employees have the reputation of serving Canadians with unparalleled dedication. The progress that has been made over the last ten years has strengthened the CRA's position as a leader in Canada's public service and a tax administration that is among the best in the world.

Our *2010-2011 Report on Plans and Priorities* builds on our commitment to service excellence anchored by expanded electronic capability. Maintaining our reputation for a high level of performance, however, will be a challenge. Service expectations continue to grow while increasingly sophisticated and elaborate tax avoidance and evasion activities are creating significant compliance pressures. The advancement of our change agenda will necessitate careful stewardship and ongoing investment to maintain our core capacity in service and compliance. We are committed to maintaining service leadership; identifying and addressing key areas of compliance risk; and enhancing the overall fairness and integrity of Canada's tax and benefits system for the immediate benefit of Canadians. In pursuing the priorities set out in this plan, we aim to ensure that individuals and businesses pay the correct amount of tax due and that we deliver, in a timely manner, the exact amount of benefit payments to those Canadians most in need.

I have confidence in our capacity to learn and adapt, and look forward to working with my new colleagues in realizing our goals, making a difference in our country, and making our government proud.

Linda Lizotte-MacPherson
Commissioner and Chief Executive Officer
Canada Revenue Agency

# Our Raison d'être and Responsibilities

The Canada Revenue Agency (CRA) is the principal revenue collector in the country and is responsible for distributing benefit payments to millions of Canadians each year.

The Agency was created to:

- provide better service to Canadians;
- offer more efficient and more effective delivery of government programs; and
- foster closer relationships with provinces and other levels of government for which the CRA delivers programs, and providing better accountability.

The CRA contributes to two of the Government of Canada's strategic outcomes:

- Federal organizations that support all departments and agencies; and
- Income security and employment for Canadians.

## Our Mandate

The Canada Revenue Agency (CRA) is mandated to administer tax, benefit, and other programs on behalf of the Government of Canada and provincial, territorial, and certain First Nations governments. The CRA exercises its mandate within a framework of complex laws enacted by Parliament, as well as by provincial and territorial legislatures. Our mandate reflects the broad role that we assume in the lives of Canadians.

No other public organization touches the lives of more Canadians on a daily basis than the CRA. Each year, we collect billions of dollars in tax revenue and deliver income-based benefits, credits, and other services that help families and children, low- and moderate-income households, and persons with disabilities. These programs contribute directly to the economic and social well-being of Canadians.

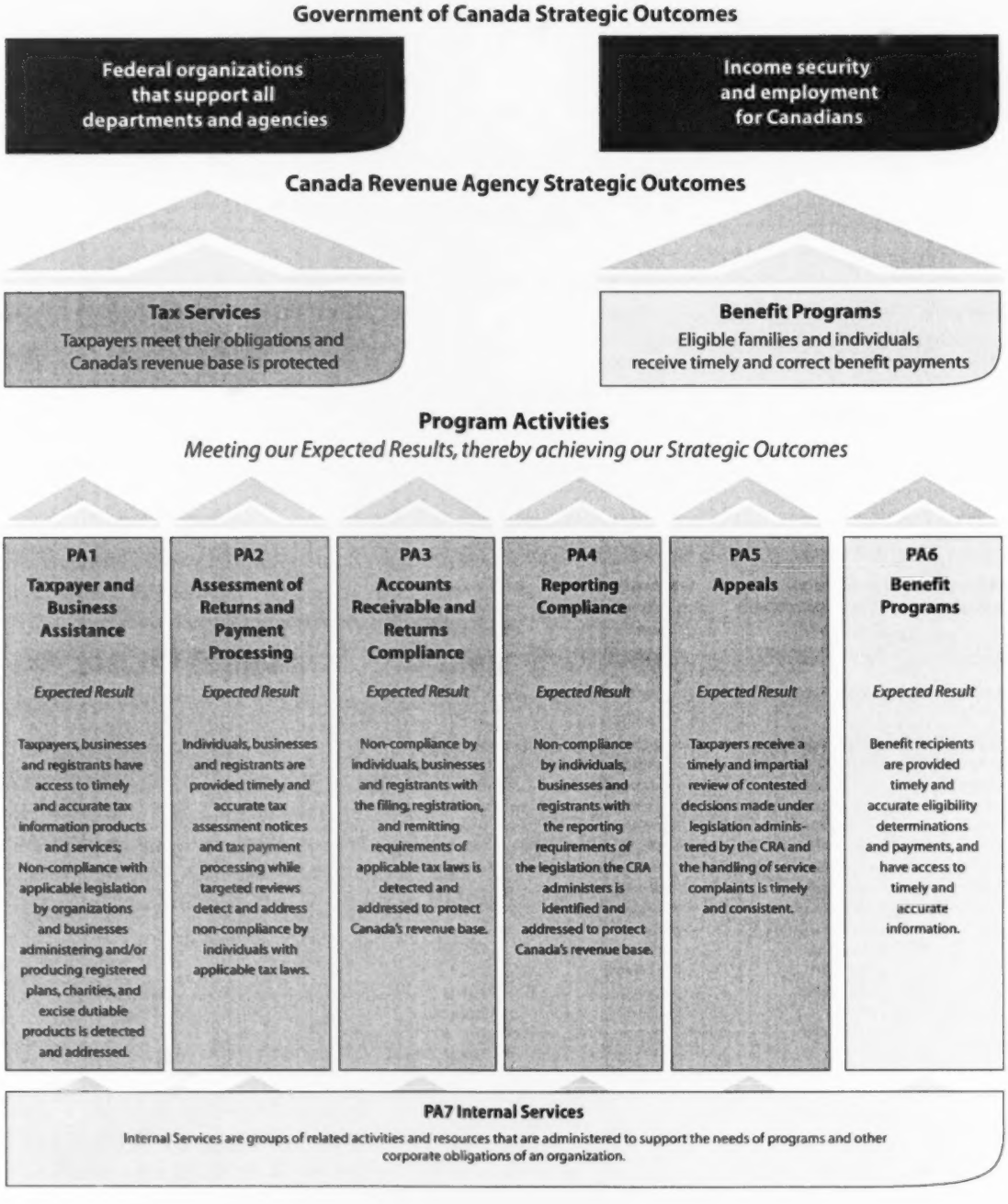
The following two strategic outcomes summarize our contribution to Canadian society.

- Taxpayers meet their obligations and Canada's revenue base is protected; and
- Eligible families and individuals receive timely and correct benefit payments.

In addition to the administration of income tax and benefit programs, the CRA now administers the harmonized sales tax (HST) for three Atlantic provinces. Ontario and British Columbia have also recently entered into agreements with the federal government to implement the harmonized sales tax (HST), which would replace existing provincial sales taxes and the federal goods and services tax in those provinces, beginning on July 1, 2010.

The CRA also verifies taxpayer income levels in support of a wide variety of federal, provincial, and territorial programs, ranging from student loans to health care initiatives. In addition, we provide other services, such as the Refund Set-Off Program, through which we aid other federal agencies and departments, as well as provincial and territorial governments, in the collection of debts that might otherwise become uncollectible.

## CRA Program Activity Architecture


Government of Canada Strategic Outcomes
Federal organizations that support all departments and agencies
Income security and employment for Canadians
Canada Revenue Agency Strategic Outcomes
Tax Services
Taxpayers meet their obligations and Canada's revenue base is protected
Benefit Programs
Eligible families and individuals receive timely and correct benefit payments
Program Activities
Meeting our Expected Results, thereby achieving our Strategic Outcomes
PA1
Taxpayer and Business Assistance
Expected Result
Taxpayers, businesses and registrants have access to timely and accurate tax information products and services; Non-compliance with applicable legislation by organizations and businesses administering and/or producing registered plans, charities, and excise dutiable products is detected and addressed.
PA2
Assessment of Returns and Payment Processing
Expected Result
Individuals, businesses and registrants are provided timely and accurate tax assessment notices and tax payment processing while targeted reviews detect and address non-compliance by individuals with applicable tax laws.
PA3
Accounts Receivable and Returns Compliance
Expected Result
Non-compliance by individuals, businesses and registrants with the filing, registration, and remitting requirements of applicable tax laws is detected and addressed to protect Canada's revenue base.
PA4
Reporting Compliance
Expected Result
Non-compliance by individuals, businesses and registrants with the reporting requirements of the legislation the CRA administers is identified and addressed to protect Canada's revenue base.
PA5
Appeals
Expected Result
Taxpayers receive a timely and impartial review of contested decisions made under legislation administered by the CRA and the handling of service complaints is timely and consistent.
PA6
Benefit Programs
Expected Result
Benefit recipients are provided timely and accurate eligibility determinations and payments, and have access to timely and accurate information.
PA7 Internal Services
Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization.

# Planning Summary

## Agency Resources

| | Forecast Spending 2009-2010 | Planned Spending 2010-2011 | Planned Spending 2011-2012 | Planned Spending 2012-2013 |
|---|---|---|---|---|
| Planned Spending (thousands of dollars) | 4,761,716 | **4,523,527** | 4,023,986 | 4,025,564 |
| Full-Time Equivalent (FTE) | 39,927 | **39,493** | 39,382 | 39,319 |

## Alignment to Government of Canada Outcomes

| **Strategic Outcome: Taxpayers meet their obligations and Canada's revenue base is protected** | | | | | |
|---|---|---|---|---|---|
| **Performance Indicators** | | **Targets** | | | |
| See individual program activity sections for performance indicators related to each activity | | See individual program activity sections for targets related to their performance indicators | | | |
| **Program Activity** (thousands of dollars) | **Forecast Spending** | **Planned Spending** | | | **Alignment to Government of Canada Outcomes** |
| | **2009-2010** | **2010-2011**[1] | **2011-2012**[1,2] | **2012-2013**[1,2] | |
| Taxpayer and Business Assistance (PA1) | 710,545 | 737,413 | 254,724 | 253,780 | Government Affairs |
| Assessment of Returns and Payment Processing (PA2) | 645,619 | 601,629 | 590,345 | 590,041 | Government Affairs |
| Accounts Receivable and Returns Compliance (PA3) | 453,110 | 430,854 | 429,202 | 427,014 | Government Affairs |
| Reporting Compliance (PA4) | 975,990 | 963,013 | 954,861 | 951,551 | Government Affairs |
| Appeals (PA5) | 130,414 | 128,975 | 127,289 | 122,574 | Government Affairs |
| **Strategic Outcome: Eligible families and individuals receive timely and correct benefit payments** | | | | | |
| Benefit Programs (PA6) | 328,761 | 335,478 | 339,461 | 342,974 | Economic Affairs: Income security and employment for Canadians |
| **The following program activity supports all strategic outcomes within this organization** | | | | | |
| Internal Services (PA7) | 1,514,074 | 1,322,917 | 1,324,745 | 1,334,271 | Government Affairs |
| Total Planned Spending | **4,761,716** | **4,523,527** | **4,023,986** | **4,025,564** | |
| Less: | | | | | |
| **Strategic Outcome: Taxpayers and benefit recipients receive an independent and impartial review of their service-related complaints** | | | | | |
| Taxpayers' Ombudsman[3] | 3,203 | 3,248 | 3,359 | 3,359 | Government Affairs |
| **Canada Revenue Agency** | **4,758,513** | **4,520,279** | **4,020,627** | **4,022,205** | |

1 Planned spending does not include certain technical adjustments made in 2009-2010, primarily carry forward from the previous year ($147M) and maternity and severance benefits ($69M). These are in-year adjustments.

2 Planned Spending does not include disbursements to provinces and territories under the *Softwood Lumber Products Export Charge Act, 2006* ($479M in 2010-2011).

3 Since the Taxpayers' Ombudsman operates at arms-length from the Agency, this Report on Plans and Priorities does not reflect the activities of that office.

# Contribution of Priorities to Strategic Outcomes

The CRA is responsible for administering, assessing, and collecting billions of dollars in taxes annually. We deliver tax services and benefit programs that support the economic and social well-being of Canadians, including families and children, low- and moderate-income households, and persons with disabilities.

The CRA's mandate sets out two strategic outcomes that summarize its contribution to Canadian society. The achievement of these outcomes demonstrates that we are fulfilling our mandate from Parliament.

**Taxpayers meet their obligations and Canada's revenue base is protected.**

**Eligible families and individuals receive timely and correct benefit payments.**

We are continually evolving our strategic direction and refining our vision to meet challenges within our changing environment. We have increased our emphasis on mitigating risk factors which may impact our capacity to deliver services to Canadians.

We have introduced five overarching strategic elements to guide our work over the planning period. Our tax and benefit operational and management focus will be on **building trust to promote compliance**, **strengthening service to make compliance easier, making non-compliance more difficult**, **making it easier to receive the right social benefits**, and **maintaining business sustainability**.

The following table links our priorities to the achievement of our strategic outcomes.

## Contribution of Priorities to Strategic Outcomes

| CRA Operational Priorities | Type | Links to Strategic Outcome(s) | Description |
|---|---|---|---|
| Building Trust to Promote Compliance | Ongoing | Taxpayers meet their obligations and Canada's revenue base is protected | **Why is this a priority?**<br>We continually seek to build the trust and confidence of our stakeholders in the CRA, as Canada's tax administrator, to promote compliance with Canada's tax laws. Our tax system works best when individuals and businesses feel a civic responsibility to pay tax, and when they believe that the CRA can be trusted to be fair, efficient, and impartial. |
| | | | **Key plans to meet the priority:**<br>• strengthen outreach<br>• optimize service delivery channels<br>• resolve taxpayer disputes and service complaints<br>• enhance the administration of the Voluntary Disclosures Program<br>• enhance the Charities Program |
| Strengthening Service to Make Compliance Easier | Ongoing | Taxpayers meet their obligations and Canada's revenue base is protected | **Why is this a priority?**<br>We recognize the value of service in fostering compliance within a tax system that is based on self-assessment. We constantly strive to make it easier for Canadians to comply by strengthening service delivery channels and by reviewing federal rules and regulations to remove or reduce the administrative barriers to compliance. |
| | | | **Key plans to meet the priority:**<br>• enhance our electronic services<br>• promote the take-up of electronic filing and electronic payments<br>• further tax harmonization |

| CRA Operational Priorities | Type | Links to Strategic Outcome(s) | Description |
|---|---|---|---|
| Making Non-compliance More Difficult | Ongoing | Taxpayers meet their obligations and Canada's revenue base is protected | **Why is this a priority?**<br>Although instances of non-compliance are infrequent, they have a significant fiscal impact and erode the integrity of the tax and benefits system. We must continue to apply innovative strategies to remove the remaining opportunities for non-compliance. |
| | | | **Key plans to meet the priority:**<br>• enhance strategies to manage payment non-compliance<br>• identify aggressive tax planning schemes more effectively<br>• identify non-compliance in the underground economy more effectively<br>• use enhanced risk assessment to identify non-compliance by employers and GST/HST registrants<br>• implement an enhanced tobacco stamping regime<br>• enhance the administration of the SR&ED program<br>• use better risk assessment to detect and correct reporting non-compliance<br>• improve the detection and deterrence of non-compliance in our Charities Program |
| Making It Easier to Receive the Right Social Benefits | Ongoing | Eligible families and individuals receive timely and correct benefit payments | **Why is this a priority?**<br>Income security is essential to the economic and social well-being of Canadians, particularly in the current economic environment. The more than $16 billion in benefits and credits administered by the CRA provides vital assistance to millions of Canadians. |
| | | | **Key plans to meet the priority:**<br>• strengthen service to benefit recipients<br>• support business growth and partnerships<br>• strengthen benefits delivery infrastructure<br>• ensure accurate payments |

| CRA Management Priorities | Type | Links to Strategic Outcome(s) | Description |
|---|---|---|---|
| Maintaining Business Sustainability | Ongoing | Taxpayers meet their obligations and Canada's revenue base is protected<br>**and**<br>Eligible families and individuals receive timely and correct benefit payments | **Why is this a priority?**<br>We must ensure that we have in place the modern and innovative management practices and sound infrastructure necessary to maintain the sustainability of the tax, benefit, and related services we deliver on behalf of governments across Canada. |
| | | | **Key plans to meet the priority:**<br>• plan for and acquire talent<br>• retain and mobilize talent<br>• develop talent<br>• bolster our IT infrastructure and solutions<br>• ensure secure management of protected taxpayer information<br>• manage business information<br>• reinforce accountability and oversight<br>• refine our strategic investment plan<br>• employ risk management consistently and systematically |

## Measuring our Strategic Outcomes

| We take the following into consideration when assessing our results against our **Tax Services** strategic outcome: | |
|---|---|
| **Macro-Indicators** | Trend in changes in personal income reported to the CRA compared with changes to personal income estimated by Statistics Canada |
| | Trend in changes in net GST/HST collected compared with changes in retail sales and personal expenditures |
| | Trend in changes in corporate income tax reported to the CRA compared with changes in corporate profits before tax estimated by Statistics Canada |
| | Trend in changes in net income of unincorporated businesses reported to the CRA compared with changes in net income of unincorporated businesses according to Statistics Canada National Accounts estimates |
| **Compliance Measures** | |
| Registration compliance | Proportion of Canadian businesses that have registered as required by law to collect the GST/HST |
| Filing compliance | Proportion of the Canadian population who file their returns on time |
| Reporting compliance | Degree to which taxpayers report complete and accurate information |
| Remittance compliance | Proportion of taxpayers who owed taxes and paid the full amount on time |

| We assess our results against our **Benefit Programs** strategic outcome through the following indicators: | |
|---|---|
| Establishment of eligibility for benefits | Percentage of potentially entitled recipients who receive the Canada Child Tax Benefit (CCTB)- reported after each census |
| Correct benefit payments | Percentage of CCTB recipients who provide complete and accurate information and receive the proper entitlement |
| | CCTB overpayment debt as a percentage of payments issued |
| Timely benefit payments | Percentage of payments received by benefit recipients on time |
| The CRA is the provider of choice | Number of benefit programs and services administered |

## Our Operating Environment

Our annual strategic planning process aligns our strategic initiatives with our priorities and risks posed by the operating environment. We begin this process with a review of environmental factors, including business and operating risks, affecting the CRA.

### Government Environment

The CRA was instrumental in the recent roll-out of the Government of Canada's Economic Action Plan. Governments at all levels are increasingly using the tax system to deliver very specific social and economic policy objectives. Examples abound, both at the federal, provincial, and territorial levels where interprovincial tax competition is quite fierce. The increasing complexity of the tax system presents a number of challenges for both taxpayers and the CRA.

Public Service renewal remains the top management priority for the Clerk of the Privy Council, with the focus shifting to include seasoned public servants as well as new recruits. The Clerk has also asked deputy heads to embrace more technology in the workplace and to allow employees to take informed risks with the guidance of sound risk management frameworks.

### Economy

Canada weathered the recent economic downturn more successfully than other industrialized countries. After a contraction of over 3% in real GDP between the second quarter of 2008 and the third quarter of 2009, there have been some signs of stabilization in the fragile Canadian economy. Forecasts for GDP recovery in Canada during 2010 vary; the Conference Board of Canada suggests an increase of less than 1%, while the TD Financial Group forecasts a 2.7% rise.

Overall, federal tax revenues were down by over 13% during the first seven months of 2009-2010. The Minister of Finance is forecasting a $55.9 billion budget deficit in 2009-2010. Federal budget deficits are projected until at least 2014-2015.

### Demographic Trends

Experts believe that while the current recession will result in a short-term surplus of workers, the expected economic upturn as we move into the new decade will again evoke a crises of skilled labour shortages as a decline in the size of the Canadian workforce is forecast to begin in the next ten years.

New Canadians currently account for 70% of recent labour force growth and the participation rates of Aboriginal peoples and women have also been steadily increasing, adding to the diversity of the labour market. It is critical that we deliver information services that new citizens can understand and use, and that help build trust in the CRA.

Like most other large public and private sector organizations, the CRA will be faced with ongoing challenges in our ability to attract, develop, and retain talent. As we look to replace retired workers, we will compete with other organizations for skilled and educated individuals in a shrunken labour pool. These challenges will become more pronounced as we progress through this demographic shift in the coming years.

### Technological Change

Sixty-one per cent of Canadians have reported being online for five years or more. This level of use plus emerging social networking technologies leads to increasing client expectations for fast and secure electronic services. The next frontier for the CRA will be wireless technology. In fact, the United States Internal Revenue Service has recently announced that they will offer a tax filing option this year that uses wireless technology. Canadians will expect no less. We will need to assure ourselves that they can do so in an absolutely secure manner to protect their tax information.

When IT service delivery models begin to shift with the emergence of cloud computing, we must determine an appropriate response. Although there are cost advantages to the cloud environment (that is, clients do not own the physical infrastructure and only pay for the resources that they use), the speed and scale of adoption of this model will be tempered by security and privacy considerations.

# Corporate Risks

Our Corporate Risk Inventory (CRI) 2009 identifies 14 risks that could negatively affect our ability to meet our business objectives. The CRI is the result of the CRA's second formal effort to understand and assess its key corporate risks. The business and operational risks identified in the CRI and described below are used by senior management to inform our strategic planning process. Many of the risks identified in the CRI are referenced throughout this plan.

## Business Risks

### The Underground Economy

The current economic environment and observed rise in self-employment may contribute to a growth in the underground economy by creating incentives for cash transactions at the expense of recorded transactions. Societal attitudes toward the underground economy are also not static and could contribute to the severity of this risk in times of financial hardship.

### Aggressive Tax Planning

All taxpayers have an interest in reducing their tax liability within the boundaries of the law through established tax planning practices. We must, however, remain vigilant when these practices become aggressive in nature and are undertaken to achieve tax results beyond the spirit or object of the law.

### Willful Non-Compliance

There is a concern that some taxpayers are increasingly pushing the boundaries and not fully reporting income, or fabricating expenses like charitable deductions to purposefully understate their tax liabilities.

### Payment Non-compliance

Payment non-compliance represents the overall risk that taxpayers do not, or are unable, to pay their taxes and fulfill their obligations. The compliance risks described above (underground economy, aggressive tax planning, and willful non-compliance) all contribute to this risk, as their occurrence ultimately affects the payment of taxes. Factors such as the current economic downturn can increase the risk of payment non-compliance.

## Operational Risks

### Compliance with Various Legislation, Regulations, and Policies

Aside from the legislation that we administer, the CRA is itself subject to a large array of legislation, regulations, and policies, such as those related to financial management, accounting and reporting, and access to information. The complexity and constant evolution of Government of Canada rules create challenges for us as efforts are needed to ensure the organization adjusts in a timely fashion.

### Resource Optimization

There is a perpetual risk that at any point in time the manner in which our resources are deployed is sub-optimal. The never-ending changes in our responsibilities and environment require that we continually adjust the way we use our resources and balance immediate operational requirements with long-term investment needs.

### Organizational Responsiveness and Resilience

The pace of legislative change, the size and complexity of many major undertakings (such as the harmonization of the sales taxes of Ontario and British Columbia with the federal Goods and Services Tax), and forms of disasters and business interruptions may compromise the CRA's ability to respond to events in a timely manner.

### Clients, Stakeholders, Taxpayers, and Benefit Recipients' Expectations

The CRA is faced with high service expectations that are, in some instances, growing or changing direction. However, not all taxpayer expectations can be met with existing resources and the Agency must remain alert to these expectations and adjust its service delivery accordingly.

### Human Resources Capacity and Capability

The CRA's workforce is one of the largest and most highly skilled of any federal government entity. Maintaining that workforce means dealing with risks associated with the ability to recruit and retain people in a competitive environment.

### Knowledge Management

As more and more of our routine tasks have been automated, our workforce has become increasingly composed of knowledge workers. A continuing challenge is the ability to effectively diffuse knowledge throughout the workforce. There is a risk that failure to overcome this challenge will inhibit us from achieving maximum effectiveness.

### Employee Ethical Conduct

Unethical employee behaviour can compromise any organization. We hold our employees to the highest ethical standards with a strict Code of Ethics and Conduct and continual efforts to instil a strong commitment to the Code throughout the organization.

### Protection of Information

Taxpayers and benefit recipients entrust us with vast quantities of confidential information. The protection of that information has and will always be our highest priority. Potential threats to the security of information holdings include both inadvertent breaches and deliberate attempts to gain access. Technological advancements, a global rise in identity theft, and an increased need to make available more information, challenge our ability to effectively protect against inappropriate access or disclosure of this information.

### Information Technology Responsiveness

The CRA's numerous programs are underpinned by very complex technology, and new applications are becoming more and more sophisticated. The greater complexity of our legislative and business environment, in addition to increased diversity and the growing expectations of external stakeholders, put steady pressures on our IT services to support rapidly changing demands.

### Information Technology Sustainability

The CRA has a considerable investment in IT hardware and software assets. Many of the most important applications are custom-built. Keeping these assets up-to-date and in good repair after initial development requires a very large investment of resources and sound strategies for prioritizing maintenance and renewal projects. In addition, the fast pace and volume of legislative and business changes also challenges the health of these assets. A significant and ongoing investment of time, effort, and resources is required to ensure IT assets become, and remain, sustainable.

## Expenditure Profile

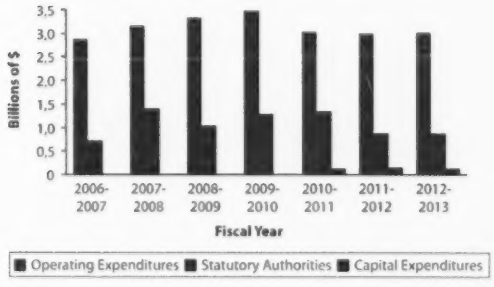
In the table below, for the period 2006-2007 to 2009-2010, total spending amount includes all Parliamentary appropriations and revenue sources: Main Estimates, Supplementary Estimates, funding associated with the increased personnel costs of collective agreements, maternity allowances and severance payments, as well as funding to ensure early implementation of Budget 2009 initiatives and the Agency's carry forward adjustments from the prior year. It also includes spending of revenues received through the conduct of CRA's operations pursuant to Section 60 of the *Canada Revenue Agency Act*, Children's Special Allowance payments, payments to private collection agencies pursuant to Section 17.1 of the *Financial Administration Act* and payments to the provinces under the *Softwood Lumber Products Export Charge Act, 2006*. For the period 2010-2011 to 2012-2013, planned spending excludes carry forward adjustments which are only finalized once Public Accounts are completed and it also does not include any amounts for maternity allowances and severance payments. Finally, for the period 2011-2012 to 2012-2013 planned spending amounts do not yet include a forecast for payments to the provinces under the *Softwood Lumber Products Export Charge Act, 2006* (estimated at $479M in 2010-2011).

Since 2006-2007, the Canada Revenue Agency's Operating Expenditures reference levels have increased primarily as a result of: collective agreements / contract awards; policy and operational initiatives arising from various Federal Budgets and Economic Statements; the transfer from the Department of Public Works and Government Services Canada for accommodations and real property services; and the assumption of the responsibilities related to the Corporate Tax Administration for Ontario, and the Softwood Lumber Agreement.

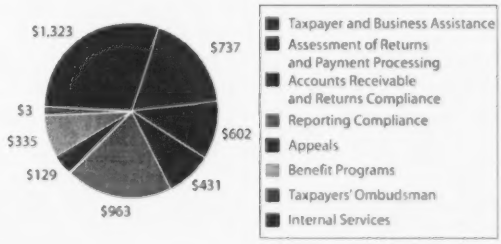
The increases to the Operating Expenditures have been offset by a number of reduction exercises, including the 2008 Federal Budget strategic review reductions and the procurement reform cost efficiency savings announced in the 2007 Federal Budget as well as the introduction of the Capital Expenditures Vote in 2010-2011.

The Agency Statutory Authorities have fluctuated over the course of the 2006-2007 to 2012-2013 period as a result of: adjustments to the Children's Special Allowance payments for eligible children in the care of specialized institutions; adjustments to the rates for the contributions to employee benefit plans; increases to the spending of revenues received through the conduct of operations pursuant to Section 60 of the *Canada Revenue Agency Act*; the introduction from 2007-2008 to 2009-2010 of payments to private collection agencies pursuant to Section 17.1 of the *Financial Administration Act*; and finally, the introduction in 2006 of payments to the provinces under the *Softwood Lumber Products Export Charge Act, 2006*.

**Spending Trend**




**2010-2011 Planned Spending (millions of dollars)**



## Voted and Statutory Items

| Vote or Statutory Item | Truncated Vote or Statutory Wording | Main Estimates 2010-2011[1] | Main Estimates 2009-2010[1] |
|---|---|---|---|
| | | (thousands of dollars) | |
| 1 | Program expenditures, contributions and recoverable expenditures on behalf of the Canada Pension Plan and the *Employment Insurance Act* | **2,992,673** | 3,114,391 |
| 5 | Capital expenditures | **136,085** | |
| (S) | Minister of National Revenue – Salary and motor car allowance | **79** | 78 |
| (S) | Spending of revenues received through the conduct of its operations pursuant to Section 60 of the *Canada Revenue Agency Act* | **226,894** | 204,803 |
| (S) | Contributions to employee benefit plans (EBP) | **416,700** | 413,423 |
| (S) | Children's Special Allowance payments | **225,000** | 221,000 |
| (S) | Payments to private collection agencies pursuant to Section 17.1 of the *Financial Administration Act* | **0** | 5,279 |
| (S) | Payments to provinces under the *Softwood Lumber Products Export Charge Act, 2006* | **479,000** | 429,000 |
| | **Total Agency** | **4,476,430** | 4,387,974 |

[1] Details may not add to totals due to rounding.

The Canada Revenue Agency's (CRA) increase in net spending of $88.5M or 2% is due to an increase in operating costs of $39.9M, an increase in contributions and other transfer payments of $54.0M, offset by an additional $5.4M in expected revenue due to an increase in Canada Pension Plan (CPP) and Employment Insurance (EI) recoveries. In addition, the establishment of a new capital authority results in the transfer of $136.1M from operating costs to the new Capital Vote.

Specific increases include:

- $50.0M related to the payments to provinces under the *Softwood Lumber Products Export Charge Act, 2006*;
- $24.7M related to Collective Agreements;
- $22.7M related primarily to the transfer from Public Works and Government Services Canada for the increased charges for accommodation and real property services;
- $22.1M in initiatives administered on behalf of Service Canada and the Province of Ontario on a cost recovery basis;
- $9.6M related to 2009 Federal Budget measures such as: Home Renovation Tax Credit, First-Time Home Buyers Tax Credit and Late Filing and Incorrect Format Penalties;
- $4.0M in payments under the *Children's Special Allowance Act* (CSA) for eligible children in the care of specialized institutions.

Specific decreases include:

- $12.7M related to the Corporate Tax Administration for Ontario;
- $10.2M related to various initiatives announced in the 2007 and 2008 Federal Budgets;
- $9.4M related to the 2008 Federal Budget strategic review reductions;
- $6.2M related to the procurement reform cost efficiency savings announced in the 2007 Federal Budget;
- $6.0M for government advertising programs;
- $0.1M related to other technical adjustments.

# Section II: Analysis of Program Activities by Strategic Outcome

## Taxpayer and Business Assistance (PA1)

Canada Revenue Agency Strategic Outcome: Taxpayers meet their obligations and Canada's revenue base is protected

Government of Canada Strategic Outcome: Federal organizations that support all departments and agencies

### Benefit to Canadians

**Our aim** is to ensure that taxpayers, businesses, and registrants are provided with the tools, assistance, and information needed to voluntarily comply with their tax obligations. In addition, we clarify the interpretation of the tax laws to protect Canada's revenue base.

## Planned Spending by Program Activity

| | Forecast Spending 2009-2010 | Planned Spending 2010-2011 | Planned Spending 2011-2012 | Planned Spending 2012-2013 |
|---|---|---|---|---|
| Planned Spending (thousands of dollars) | 710,545 | **737,413** | 254,724[1] | 253,780[1] |
| Human Resources – Full-Time Equivalents (FTE) | 4,280 | **4,178** | 4,140 | 4,126 |

[1] Excludes forecasted payments to the provinces for the *Softwood Lumber Products Export Charge Act, 2006*, which are unavailable at this time ($429M in 2009-2010 and $479M in 2010-2011)

## **Program Activity** — Expected Results and Measures

| Expected Result | Performance Indicators | Current Target |
|---|---|---|
| Taxpayers, businesses, and registrants have access to timely and accurate tax information products and services | Percentage of 16 service standards in force for taxpayer and business assistance that meet targeted performance standard | 100% |
| | Percentage of accurately updated internal reference materials for taxpayer services and charities agents | 100% |
| Non-compliance with applicable legislation by organizations and businesses administering and/or producing registered plans, charities, and excise dutiable products is detected and addressed | Percentage of charities, registered plans, and commodity audits and activities completed compared to planned | 90% |

# Our Priorities

### Building trust to promote compliance

Through outreach, we deliver the information and assistance that taxpayers need to meet their obligations and obtain the benefits to which they may be entitled. To make sure that our outreach events reach the most appropriate audience, we target specific groups such as seniors, new Canadians, persons with disabilities, small business, new business, charities, and high-risk sectors, and provide specific information that meets their needs.

We identify segments and topics on which to focus our outreach activities through various means, such as public opinion research, demographic analysis, business trends, environmental scans, and compliance

risk analyses. We do this to ensure that we respond effectively to changing demographics and economic trends and to address areas of non-compliance or compliance risk.

We will strengthen outreach

We will strengthen outreach by developing an integrated CRA outreach strategy which will set the framework for all CRA outreach activities. Through the implementation of this strategy, we will ensure a co-ordinated approach to outreach, with consistent messaging tailored to meet specific needs. We will also partner with other government agencies and departments, provinces, and associations to expand the reach of our activities, using advanced technology like webinars to maximize effectiveness.

Specific initiatives include the development of a taxpayer segmentation model to target specific groups with particular messages. We will also explore ways to improve voluntary compliance through an enhanced understanding of responsible citizenship. We will consider alternative delivery models and maximize the use of appropriate partners.

The provision of timely and accessible information regarding obligations and entitlements is fundamental to a self-assessment tax system. Canadians are using various means (Internet, telephone, in person, in writing) to satisfy their information needs. We want to encourage taxpayers to migrate to the more affordable self-serve channels, with agent assistance readily available when required.

We manage the convergence of channels to ensure the consistency of messaging, and that taxpayers trying to self-serve have timely access to agent assistance through applications such as Smartlinks.

Our 1-800 telephone networks provide help and information to taxpayers through automated and agent-assisted services. These networks are managed in real time to balance call volumes across the country and to provide maximum accessibility. Callers using the automated service can obtain general information 24 hours a day, seven days a week. The CRA Web site is continually updated to provide current, relevant information. Both the content and structure of our Web site are fine-tuned based on the results of usability testing to ensure client needs are being met.

Over the planning period, we will expand our research and analysis to better understand clients' information needs and expectations. We will also explore best practices and emerging technology in the taxpayer services arena. This will help enhance the design and development of our products and services. It will also be complemented by an enhanced quality assurance regime.

We will develop training and job aids for agents to improve their efficiency

Our enquiries and information services will develop training and job aids for agents to help them respond efficiently to increasingly complex enquiries. Our development of multimedia training products and new applications that link agents' desktops to appropriate reference material will reduce the time agents need to research certain topics. It will also enable them to answer telephone enquiries more effectively and efficiently in an environment of continually changing legislation.

The telephone channel remains the most popular way for taxpayers to contact us. We will meet our increased performance targets for caller accessibility and our service standards for timeliness. In addition, data gathered under the quality assurance program will serve to support and strengthen the quality and accuracy of our responses to enquiries, as well as to permit the identification of agent training needs, procedural and accuracy trends, and product and service gaps.

The program initiatives we will pursue over the planning period are listed in the following table.

## Priority Initiatives

| Initiatives | Deliverables | Dates |
|---|---|---|
| • Strengthen outreach | • Develop a CRA outreach strategy | • 2010-2011 |
| | • Develop integrated horizontal outreach plans | • 2010-2011 |
| | • Develop and implement responsible citizenship messages | • 2010-2013 |
| | • Develop a taxpayer segmentation model | • 2010-2013 |
| • Optimize service delivery channels | • Provide taxpayers with the information they need to comply with the harmonized tax regime in Ontario and British Columbia. | • 2010-2011 |
| | • Conduct analysis of channel demand, use, and integration | • 2010-2013 |
| | • Target taxpayer population segments through improved Web navigation, architecture, and content management | • 2010-2013 |
| | • Enhance and expand authoring and planning tools and business processes | • 2010-2013 |
| | • Enhance the quality assurance program, agent training, and agent tools | • 2010-2013 |

# Our Priorities

### Strengthening service to make compliance easier

To enhance the Charities Program, we will ensure that registered charities and applicants for registered status, have access to high-quality application and enquiries processes. We will implement new service standards, follow through on recommendations of the Small and Rural Charities Initiative, and use electronic service options such as webcasts and webinars.

We will continue to improve the administration of the Canada Pension Plan/Employment Insurance (CPP/EI) Rulings Program through management and technological innovations and the building of partnerships.

An increasing number of requests for CPP/EI rulings coming from within the Agency are being converted to electronic format. It is being facilitated by the Referral Allocation and Distribution System (RADS), a locally developed solution that allows rulings to be requested electronically and distributed nationally. RADS is modernizing the program by providing regional rulings staff and other internal stakeholders a more efficient, secure method to refer, respond to, and move ruling requests across the regions. The CPP/EI Rulings Division will continue to develop and improve policies, procedures and outreach information, to ensure that regional staff have the required tools to better serve Canadians and achieve program objectives.

We will implement a risk-based approach to registered plans to streamline the registration process, and increase audit coverage through random and targeted audits. We will also upgrade our toll-free enquiries line for registered plans, enhance information available on our Web site, and improve outreach activities and electronic service offerings.

We will work to improve our performance in issuing advance income tax rulings within an average of 60 days.

We will expand our collaboration with provincial and territorial governments

To improve the overall regulatory environment, we also intend to expand our collaboration with provincial and territorial governments. We will focus our efforts on inter-provincial tax avoidance to address the techniques used by corporations to shift income between provinces and territories.

### Making Non-Compliance More Difficult

We deal with the challenges of non-compliance by continuing to enhance the effectiveness of our excise programs. In co-operation with other federal government organizations, we will maintain and enhance compliance with Canada's tobacco laws and support our partners as they address the issue of contraband tobacco.

During the planning period, we will maintain our efforts to implement an enhanced tobacco stamping regime. To this effect, we will continue to consult with the tobacco industry (manufacturers and importers), provincial and territorial governments, and other federal departments and agencies. We will work closely with the Department of Finance Canada officials to complete the necessary legislative amendments for the new regime, including the drafting of supporting regulatory amendments and guidelines. Should these steps proceed according to our expectations, the CRA will establish and implement the new stamping regime to ensure, within reasonable timelines, that 100% of all tobacco products manufactured and imported into Canada bear the new stamp. At the same time, we will encourage provinces and territories to adopt the new stamping regime.

Registered charities in Canada are tax-exempt and can issue charitable donation receipts to donors. To maintain these privileges, registered charities must satisfy an annual disbursement quota requirement, file a registered charity information return and financial statements, and operate within the parameters of the *Income Tax Act*. The focus of our Charities Program will be to help protect the charitable sector and to address identified non-compliance in a timely manner.

We will also administer the *Charities Registration (Security Information) Act*, which supports Canada's national security agenda and international obligations to counter terrorism.

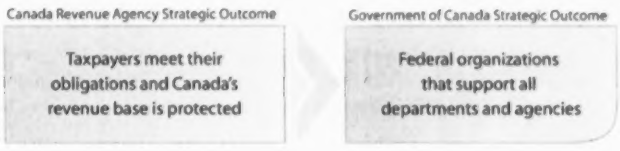
We will implement program enhancements to the Tax Free Savings Account (TFSA) program by developing new, technologically enhanced risk assessment methods of detecting high risk files. Furthermore, we will put an audit program in place to identify abusive arrangements using TFSAs. We will also enhance information relating to TFSAs available on our Web site and improve outreach activities to our clients.

The program initiatives we will pursue over the planning period are listed in the following table.

## Priority Initiatives

| Initiatives | Deliverables | Dates |
|---|---|---|
| • Enhance the Charities Program | • Implement a service standard for responding to applications | • 2010-2011 |
| | • Implement the remaining Small and Rural Charities Initiative recommendations | • 2010-2011 |
| | • Develop a number of webcasts, webinars, and newsletters | • 2010-2011 |
| | • Develop a client satisfaction survey | • 2010-2011 |
| | • Develop and implement a service standard for written enquiries | • 2011-2012 |
| • Implement an enhanced tobacco stamping regime | • Develop proposed regulatory amendments and stamping regime guidelines | • 2010-2011 |
| | • Establish stamp acquisition sites | • 2010-2011 |
| | • Implement new excise stamping regime if approved by Parliament | • 2010-2011 |
| | • Develop communication strategy including outreach activities | • 2010-2011 |
| | • Facilitate potential extension of stamping program to provinces | • Ongoing |
| • Improve the detection and deterrence of non-compliance in our Charities Program | • Identify and audit all known charities participating in tax shelter arrangements | • 2010-2011 |
| | • Continue the false receipting pilot project | • 2010-2011 |
| | • Identify and audit all charities suspected to be involved in false receipting | • 2010-2011 |
| | • Publish news releases related to most egregious cases of serious non-compliance schemes | • 2010-2011 |
| | • Target outreach and education at issues related to serious non-compliance schemes | • 2010-2011 |
| | • Implement a tool set for CRA employees to deliver CRA's mandate under the *Charities Registration (Security Information) Act* | • 2010-2011 |
| • Continue implementing a risk-based approach to registered plans | • Streamline the registration process using a risk-based approach | • Ongoing |
| | • Enhance outreach and improve information to clients in the deferred income plans sector | • Ongoing |
| | • Develop and implement a suite of systems to improve data accuracy, to allow for workload tracking and monitoring, and facilitate statistical reporting | • Ongoing |
| • Enhance the Tax-Free Savings Account Program | • Enhance risk assessment methods for detecting high risk files | • 2010-2011 |
| | • Develop TFSA audit program | • Ongoing |
| | • Enhance outreach activities and improve information to clients | • Ongoing |

## Assessment of Returns and Payment Processing (PA2)


Canada Revenue Agency Strategic Outcome
Taxpayers meet their obligations and Canada's revenue base is protected
Government of Canada Strategic Outcome
Federal organizations that support all departments and agencies

### Benefit to Canadians

**Our aim** is to deliver efficient and correct assessing of individual, business, trust, and information returns and timely payment processing, thereby promoting voluntary compliance and contributing to the protection of Canada's revenue base.

### Planned Spending by Program Activity

| | Forecast Spending 2009-2010 | Planned Spending 2010-2011 | Planned Spending 2011-2012 | Planned Spending 2012-2013 |
|---|---|---|---|---|
| Planned Spending (thousands of dollars) | 645,619 | **601,629** | 590,345 | 590,041 |
| Human Resources – Full-Time Equivalents (FTE) | 6,597 | **6,527** | 6,471 | 6,474 |

### **Program Activity** — Expected Results and Measures

| Expected Result | Performance Indicators | Current Target |
|---|---|---|
| Individuals, businesses, and registrants are provided timely and accurate tax assessment notices and tax payment processing, while targeted reviews detect and address non-compliance by individuals with applicable tax laws | Percentage of eight processing service standards pertaining to individual Income tax, corporate income tax, GST/HST returns, excise and other levies, in force for assessment and benefit services that meet or exceed targeted performance standard | 100% |
| | Percentage of T1 returns and adjustments assessed accurately | 98% – returns<br>96% – adjustments |
| | Percentage of funds from non-electronic payments deposited within 24 hours of receipt | 96% |

## Our Priorities

### Strengthening service to make compliance easier

We will continue to promote integrated and accessible channels, while encouraging and enabling more individuals and businesses to conduct their tax affairs electronically. We have already made significant investments in upgrades to ensure that many of our systems are state-of-the-art, and we will allocate additional resources to support further modernization of our remaining core systems. We will enhance our electronic services and strengthen our secure online channel.

We will enhance our electronic services to make them more user-friendly

Changes will be made to My Account, that will help make the service more user friendly for a broader range of Canadians. The redesign will also lay the groundwork to accommodate future growth of the My Account service. My Business Account will be further enhanced in consultation with users and other external stakeholders.

We will begin to display TFSA information on notices of assessment

Beginning in 2009, tax-free savings accounts (TFSAs) allowed Canadians to set money aside in qualifying investment vehicles and watch the savings grow tax-free. In 2010, we will provide TFSA contribution room on the notice of assessment for eligible individuals who file an income tax return and enhance My Account to access TFSA information online.

We will optimize program efficiency and accurate assessment of tax through enhancement and integration of common data systems and remove specific barriers and exclusions for electronic filing.

We will augment our processing systems, capture information returns and slips previously not supported, accept a higher number of information slips electronically, and provide upfront validation of data submitted. This will enable us to improve services for taxpayers, facilitate compliance, and reduce the need for post-filing contact.

We will work with stakeholders to increase the use of e-services and the use of the Business Number as a common identifier for business and government at all levels. The 2009 implementation of harmonized corporate tax returns for Ontario corporations will deliver enormous service benefits for businesses and further promote the take-up of electronic filing.

### Making Non-Compliance More Difficult

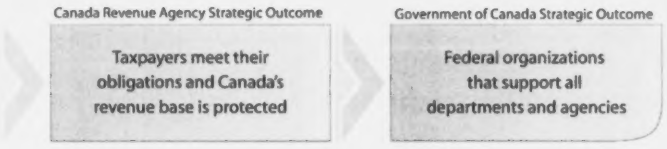
We will enhance our ability to address non-compliance by continuing to improve our post-assessment review programs. We will do this through effective use of third-party information and refining risk assessment capabilities. We will focus on discrepancies, correcting errors, validating claims, and helping individuals and businesses comply in areas of new legislation. We will implement all required federal, provincial, and territorial legislative changes, giving effect to the tax agendas of governments across Canada and promoting efficiency in delivery

The program initiatives we will pursue over the planning period are listed in the following table.

## Priority Initiatives

| Initiatives | Deliverables | Dates |
|---|---|---|
| • Enhance our electronic services | • Add an instalment calculator to My Business Account | • 2010-2011 |
| | • Enhance e-Payments | • 2010-2012 |
| | • Provide services for filers of the Tax-Free Savings Account annual information return on My Business Account | • 2010-2013 |
| | • Strengthen our secure online channel | • 2010-2013 |
| | • Enhance My Account, My Business Account, e-Payments and Quick Access services | • Ongoing |
| | • Increase electronic filing options for GST/HST returns and rebates | • Ongoing |
| • Promote the take-up of electronic filing and electronic payments | • Introduce GST/HST Internet File Transfer (GIFT) for GST/HST returns and eliminate exclusions that restrict the ability to file business returns electronically | • 2010-2011 |
| | • Convert the filer identification number (FIN) to the Business Number (BN) for certain information returns and slips | • 2010-2011 |
| | • Promote and enhance electronic payments | • 2010-2012 |
| | • Communicate the new mandatory Internet filing requirements | • Ongoing |
| • Effectively manage business partnerships | • Implement the CRA system changes necessary to accommodate the HST in Ontario and British Columbia | • 2010-2011 |
| | • Enhance measures that ensure the accuracy of business identification data | • 2010-2013 |
| | • Increase the use of the Business Number as a common identifier | • Ongoing |
| • Optimize program efficiency and the accurate assessment of tax owed | • Enhance the system capacity for filing and error detection | • 2010-2013 |
| | • Enhance the current T2 performance measurement framework to address the CRA's filing and assessment processes related to Ontario corporate tax | • 2010-2013 |
| | • Enhance the accuracy of business returns through quality and compliance initiatives | • 2010-2013 |
| • Enhance our ability to detect and address non-compliance | • Evaluate our current compliance risk framework/strategies to optimize the file selection processes | • 2010-2011 |
| | • Optimize risk assessment capabilities of our compliance programs and opportunities to enhance taxpayer education | • 2010-2013 |
| | • Strengthen our partnership with provinces and territories to develop new compliance review processes | • 2010-2013 |

## Accounts Receivable and Returns Compliance (PA3)


Canada Revenue Agency Strategic Outcome
Taxpayers meet their obligations and Canada's revenue base is protected
Government of Canada Strategic Outcome
Federal organizations that support all departments and agencies

### Benefit to Canadians

**Our aim** is to promote and enforce compliance with Canada's tax laws for filing, withholding, registering, remitting and debt obligations, including those amounts collected or withheld in trust on behalf of the Government of Canada, as well as the provinces, the territories, and certain First Nations governments.

## Planned Spending by Program Activity

| | Forecast Spending 2009-2010 | Planned Spending 2010-2011 | Planned Spending 2011-2012 | Planned Spending 2012-2013 |
|---|---|---|---|---|
| Planned Spending (thousands of dollars) | 453,110 | **430,854** | 429,202 | 427,014 |
| Human Resources – Full-Time Equivalents (FTE) | 7,231 | **7,259** | 7,328 | 7,345 |

## **Program Activity** — Expected Results and Measures

| Expected Result | Performance Indicators | Current Target |
|---|---|---|
| Non-compliance by individuals, businesses, and registrants with the filing, registration, and remitting requirements of applicable tax laws is detected and addressed to protect Canada's revenue base. | The percentage of total returns / remittances that are detected and addressed through CRA intervention and their related fiscal impact measured against budgeted forecast | 95% |
| | Ratio of total tax accounts receivable dollars resolved at the Tax Services Offices in the fiscal year to the dollar value of new tax accounts receivable (intake) received at the Tax Services Offices in the fiscal year | 90% |

# Our Priorities

### Making Non-Compliance More Difficult

The majority of Canadians comply with tax laws and their obligations. However, we continue to see growth in tax debt as a result of those taxpayers and businesses who fail to meet their tax obligations. With this in mind, we will continue to enhance our strategies to resolve debt while also developing strategies to deter future arrears.

In the past, our primary focus has been on managing the level of tax debt. As seen in other tax administrations around the world, increasing debt inventories are a reality of our operating environment and are influenced by several variables that are outside of our control, such as economic conditions and growth in the number of strategic bankruptcies.

For this reason, we have adopted a more strategic approach to enhance how we manage payment non-compliance. Our anticipated result is that an increased number of taxpayers will pay when required, which in turn will contribute to the protection of Canada's revenue base.

Our strategies to manage our accounts receivable portfolio will focus on two distinct goals — to ensure that debt is paid at the time of assessment and to effectively manage the debt after it occurs. Our key activities will align with each goal to ensure that we are proactively addressing each one. We will also ensure that effective horizontal partnerships are formed within the Agency to address issues such as debts arising from Agency compliance activities

We will develop and implement our payment non-compliance action plan

Over the planning period, we will develop and implement our payment non-compliance action plan in response to the risk identified in the CRA Corporate Risk Inventory. The plan focuses both on opportunities to prevent debts from occurring and proactively assisting taxpayers in meeting their obligations in a timely manner.

While substantial progress has been made to enhance our collection enforcement capabilities, further work is needed. For the purposes of the payment non-compliance initiative, however, we are turning our attention to the earlier stages of the collection continuum in order to have positive impacts on our receivables. Accordingly, our goals will entail looking at opportunities to deter payment non-compliance by preventing debts from arising and by encouraging and proactively assisting taxpayers to meet their obligations in a timely and equitable fashion. Efforts to realize some of these goals will also result in substantial benefits in other areas of the collections continuum.

Another key activity that we will undertake is the implementation of our National workload allocation project for our non face-to-face workload. This will facilitate effective inventory management and prioritization to optimize debt management resources and maximize tax debt collections.

We will also continue to develop tailored strategies to address specific segments of the existing inventory. For example, an industry-based study has identified areas that present a higher degree of risk and we are now developing an industry-based collection plan. Additionally, we will implement Phase II of our insolvency strategy to identify high-risk strategic bankruptcies and help eliminate bad debt as soon as possible.

The CRA is also a service provider for other government departments for the recovery of outstanding receivables. For example, the CRA collects Employment Insurance overpayments and defaulted Canada Student Loans on behalf of Human Resources and Skills Development Canada. We will manage other government debt effectively meeting commitments to clients and being responsive to new and existing program requirements.

We will improve the detection of non-compliance activities for employers and GST/HST registrants

We will improve the detection of remittance, filing, and withholding non-compliance for employers and GST/HST registrants. The CRA will also continue to partner with stakeholders to reduce the withholding, remitting, and reporting burden for small businesses.

The creation and implementation of the Trust Compliance National Inventory will allow more efficient and effective resolution of employer non-compliance. This strategy will also eliminate restrictive geographic boundaries.

The Performance Management Framework is the foundation of how we measure our success. We will improve this framework to better reflect the work we do, and demonstrate our results.

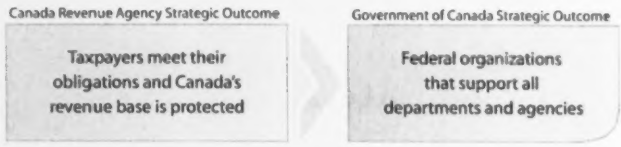
The CRA has also developed strategies that focus on improving non-compliance in the areas of GST/HST filings and registrations, and personal and corporate income tax filings. We will use new risk assessment and data mining techniques to improve the detection of filing and registration non-compliance. Our focus on maintaining and enhancing the non-filer/ non-registrant component of the underground economy will target higher-risk industries.

The program initiatives we will pursue over the planning period are listed in the following table.

## Priority Initiatives

| Initiatives | Deliverables | Dates |
|---|---|---|
| • Enhance strategies to manage payment non-compliance | • Implement Phase II of the insolvency strategy | • 2010-2011 |
| | • Improve the usability of the Payroll Deductions Online Calculator | • 2010-2011 |
| | • Effectively manage debt collections for other government departments | • 2010-2012 |
| | • Strengthen partnerships to manage new debts arising from Agency reporting compliance activities | • 2010-2012 |
| | • Implement the payment non-compliance action plan to limit future arrears | • 2010-2012 |
| | • Implement the national workload allocation project | • 2010-2012 |
| | • Develop additional tailored strategies that address specific segments of existing inventory | • 2010-2012 |
| | • Implement risk assessment and tailor strategies to better manage new and existing debt | • 2010-2013 |
| | • Implement a methodology to measure the degree of non-compliance with tax debtors and identified non-filers to establish a baseline | • 2011-2012 |
| • Implement provincial sales tax administration reform | • Realign CRA compliance activities to address potential increased risks associated with the harmonized sales tax | • Ongoing |
| • Use enhanced risk assessment to identify non-compliance by employers and GST/HST registrants | • Develop a risk-based compliance framework for personal service corporations | • 2010-2011 |
| | • Develop new risk models based on research, analytics, and data-mining techniques | • 2010-2013 |
| • Detect reporting non-compliance more effectively | • Revise the Performance Management Framework to better reflect our efforts in identifying and addressing non-compliance | • 2011-2012 |
| • Maintain and enhance non-filer/ non-registrant underground economy identification projects | • Expand our underground economy identification projects | • 2010-2011 |

## Reporting Compliance (PA4)


Canada Revenue Agency Strategic Outcome
Taxpayers meet their obligations and Canada's revenue base is protected
Government of Canada Strategic Outcome
Federal organizations that support all departments and agencies

### Benefit to Canadians

**Our aim** is to help protect Canada's tax revenue through a range of verification, audit, and enforcement activities, as well as through education. Our activities focus on the accuracy and completeness with which taxpayers determine their tax liability.

## Planned Spending by Program Activity

| | Forecast Spending 2009-2010 | Planned Spending 2010-2011 | Planned Spending 2011-2012 | Planned Spending 2012-2013 |
|---|---|---|---|---|
| Planned Spending (thousands of dollars) | 975,990 | **963,013** | 954,861 | 951,551 |
| Human Resources – Full-Time Equivalents (FTE) | 10,583 | **10,449** | 10,415 | 10,385 |

## **Program Activity** — Expected Results and Measures

| Expected Result | Performance Indicators |
|---|---|
| Non-compliance by individuals, businesses, and registrants with the reporting requirements of the legislation the CRA administers is identified and addressed to protect Canada's revenue base | Percentage of the major reporting compliance workloads completed, compared to planned |
| | Percentage of risk-assessed activities resulting in the detection of non-compliance in international and large business, small and medium enterprises, and enforcement and disclosures |

# Our Priorities

### Building trust to promote compliance

We will use communications as a compliance tool to inform taxpayers about the risks of non-compliance and the results of compliance actions that the CRA has undertaken. Such communication helps to enhance the public's trust that the CRA is actively protecting Canada's tax base.

Tax intermediaries are an integral part of Canada's tax system. The majority perform a valuable role in explaining complex tax laws to their clients by helping them to plan their tax affairs in a way that legitimately minimizes taxes owing, while taking advantage of the social and economic incentive programs delivered by the tax system. We are aware that some intermediaries encourage non-compliance. In such instances, the CRA will address those cases quickly and effectively.

We will enhance the administration of the Voluntary Disclosures Program by updating our policies and procedures, improving training and further monitoring to ensure that the administration of the program is consistent across the country.

### Strengthening service to make compliance easier

We will enhance the administration of the Scientific Research and Experimental Development Program to ease access to the program, improve its consistency and predictability, and enhance the quality of the claims process.

### Making Non-Compliance More Difficult

We are working to address high-risk areas, such as aggressive tax planning, the underground economy, and GST/HST. We are enhancing our risk profiling activities, including the development of risk profiles for specific taxpayer segments. We are also taking measures to address other compliance issues, such as the concerns of provinces and territories about interprovincial tax avoidance and provincial/territorial income allocation.

> We will enhance our risk profiling activities, compliance research, and risk assessment by linking them to Agency compliance priorities

We will enhance our risk profiling activities by expanding the use of information gained at the local, regional, national, and international levels. We will further strengthen compliance research and risk assessment by linking our research agenda to Agency compliance priorities to allow us to gather intelligence and identify risk in support of business planning, resource allocation, and program development.

Compliance System Redesign (CSR) is a major business transformation initiative designed to enhance our capacity to manage compliance programs more effectively. CSR provides a modern business solution that will increase our ability to target non-compliance and select appropriate files for audit by improving our risk assessment, workload selection, and audit tools and processes.

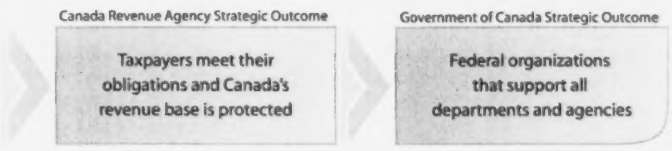
The program initiatives we will pursue over the planning period are listed in the following table.

## Priority Initiatives

| Initiatives | Deliverables | Dates |
|---|---|---|
| • Use communication as a compliance tool | • Implement the Compliance Communication Strategy action plan | • 2010-2013 |
| | • Develop a performance measurement framework to evaluate the results of the Compliance Communication Strategy | • 2011-2012 |
| • Engage tax intermediaries | • Engagement plans will be developed for different types of intermediaries, including intermediaries representing taxpayer segments such as large and multinational enterprises, scientific research and experimental development (SR&ED), small and medium enterprises, and individuals | • 2010-2011 |
| • Enhance the administration of the Voluntary Disclosures Program (VDP) | • Enhance risk management of incoming disclosures | • 2010-2011 |
| | • Clarify VDP policies and procedures to improve administration and identify efficiencies in the processing of disclosures, while maintaining the integrity of the VDP | • 2010-2012 |
| | • Share intelligence gathered from completed disclosures with other program areas to enhance the Agency's overall management of risk | • 2010-2013 |
| | • Promote the VDP through partnerships within and outside the Agency | • 2010-2013 |
| • Enhance the administration of the SR&ED program | • Increase the program's scientific capacity and level of service to claimants | • 2010-2011 |
| | • Consolidate and clarify SR&ED policy and related guidance documents | • 2011-2012 |
| | • Review risk and workload management and validate the risk management system | • 2011-2012 |

| Initiatives | Deliverables | Dates |
|---|---|---|
| • Identify aggressive tax planning schemes more effectively | • Enhance our risk assessment and identification of high-risk international tax avoidance cases | • 2010-2011 |
| | • Improve the risk assessment system for large business audits | • 2010-2013 |
| | • Make progress against our International Tax Compliance Implementation Plan | • 2010-2013 |
| | • More consistent application of third party penalties | • 2010-2013 |
| • Identify non-compliance in the underground economy (UE) more effectively | • Develop a suite of performance measures to assess the progress of our Underground Economy initiative | • 2010-2011 |
| | • Evaluate the results of the initial phase of our Electronic Suppression of Sales Strategy | • 2010-2011 |
| | • Continue to work with partners in the Federal-Provincial-Territorial Underground Economy Working Group | • 2010-2013 |
| | • Evaluate the results of our annual UE pilot projects, recommend improvements, and implement as applicable | • 2011-2012 |
| | • Continue to implement the Underground Economy Compliance Strategy action plan, stemming from the 2004 Agency Compliance Review | • 2011-2012 |
| | • Implement and evaluate the Atlantic Region Underground Economy Compliance Measurement initiative | • 2011-2012 |
| • Implement provincial sales tax administration reform | • Realign CRA compliance activities to address potential increased risks associated with the harmonized sales tax | • Ongoing |
| • Use enhanced risk assessment to identify non-compliance by employers and GST/HST registrants | • Implement and evaluate the Interactive Warning System Products Initiative pilot project | • 2010-2013 |
| | • Continue to implement the GST/HST High-Risk Compliance Strategy Action Plan | • 2010-2013 |
| • Use better risk assessment to detect and correct reporting non-compliance | • Incorporate final enhancements and improvements to research, risk assessment, workload selection, and audit and investigative tools through Release 3 of the Compliance System Redesign | • 2011-2012 |
| | • Develop an inventory of risk profiling activities | • 2011-2012 |

## Appeals (PA5)


Canada Revenue Agency Strategic Outcome
Taxpayers meet their obligations and Canada's revenue base is protected
Government of Canada Strategic Outcome
Federal organizations that support all departments and agencies

### Benefit to Canadians

**Our commitment is to fairness, and our aim** is to provide a timely redress process whereby taxpayers can dispute CRA decisions regarding their income tax, commodity tax, and CPP/EI files, or register their complaints about the services they have received from the CRA.

## Planned Spending by Program Activity

| | Forecast Spending 2009-2010 | Planned Spending 2010-2011 | Planned Spending 2011-2012 | Planned Spending 2012-2013 |
|---|---|---|---|---|
| Planned Spending (thousands of dollars) | 130,414 | **128,975** | 127,289 | 122,574 |
| Human Resources – Full-Time Equivalents (FTE) | 1,340 | **1,340** | 1,330 | 1,298 |

## **Program Activity** — Expected Results and Measures

| Expected Result | Performance Indicators | Current Target |
|---|---|---|
| Taxpayers receive a timely and impartial review of contested decisions made under the legislation administered by the CRA and the handling of service complaints is timely and consistent. | Targeted levels of timeliness, transparency, consistency, impartiality, and accuracy for income tax and commodity tax objections, CPP/EI appeals to the minister, and service complaints are met | 98% |

# Our Priorities

### Building trust to promote compliance

When taxpayers disagree with our decisions, we provide them with the opportunity for redress. We will review our processes with a view to improving productivity, recognizing the need to provide a correct decision in all cases. This is particularly challenging in the current appeals environment characterized by the high volume of objections filed by taxpayers involved in aggressive tax planning schemes. We will also seek opportunities to enhance our online Appeals services to meet taxpayer demand.

The CRA Service Complaints, Taxpayer Bill of Rights, and Taxpayers' Ombudsman initiatives were introduced to provide taxpayers with an additional level of confidence in the CRA's service. We will support these initiatives by resolving service-level complaints and providing a link between the taxpayer and the appropriate CRA function or the Taxpayers' Ombudsman. The Ombudsman operates independently and at arm's length from the management of the CRA and reports directly to and is accountable to the Minister of National Revenue.

We will strengthen the management of service-related complaints

We will strengthen the CRA's management of service-related complaints by developing a Web portal for use by our Service Complaints officers. The tool will enable staff to identify and analyze service-related complaint issues and take corrective measures to rectify them. This will improve the horizontal management of issues.

We will support the redesigned taxpayer relief registry system with a training course and user guide. The redesigned system has enabled us to better manage the taxpayer relief provisions workload and improve our reporting and analysis capabilities.

We will complete the smooth transition for the successful implementation of the Corporate Tax Administration for Ontario initiative as it affects appeals activities. This will be achieved through the seamless integration of objection and appeals activities and result in a reduction in the compliance burden for Ontario corporations.

We will address staffing challenges

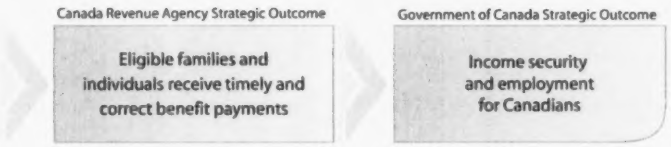
We will address Appeals Branch staffing challenges by enhancing the relatively specialized appeals function and moving the workload between offices.

The program initiatives we will pursue over the planning period are listed in the following table.

## Priority Initiatives

| Initiatives | Deliverables | Dates |
|---|---|---|
| • Resolve taxpayer disputes and service complaints | • Develop a Web-based portal for service complaints officers to populate service-related issues according to category, risk, and national importance | • 2010-2011 |
| | • Raise awareness about the CRA Service Complaints program among our employees | • 2010-2011 |
| | • Hold CRA-wide meetings to promote horizontal management of service issues | • 2010-2012 |
| | • Raise awareness of the CRA Service Complaints program among tax intermediaries, taxpayers, and benefit recipients | • 2010-2012 |
| | • Communicate results of public opinion research with our stakeholders | • 2010-2012 |
| • Fully integrate the Problem Resolution Program and the CRA Service Complaints initiative | • Complete our human resources analysis to determine potential impacts | • 2010-2011 |
| | • Communicate with the union and staff to ensure a seamless integration | • 2010-2011 |
| • Address the challenge of dealing with increasing mandatory workloads | • Develop strategies to address current and projected mandatory workloads | • 2010-2012 |
| | • Adjust operations to ease the impact on taxpayers | • 2011-2012 |
| • Develop and implement program status reporting and regional management for the taxpayer relief workload | • Obtain fully approved program status from Agency Management Committee and commence project implementation | • 2010-2011 |

## Benefit Programs (PA6)


Canada Revenue Agency Strategic Outcome
Eligible families and individuals receive timely and correct benefit payments
Government of Canada Strategic Outcome
Income security and employment for Canadians

### Benefit to Canadians

**Our aim** is to ensure that timely and correct benefit payments are issued to eligible families and individuals through effective service delivery. In addition, we aim to reduce the overall cost of government through efficiencies obtained by reduced duplication in administration and delivery functions.

## Planned Spending by Program Activity

| | Forecast Spending 2009-2010 | Planned Spending 2010-2011 | Planned Spending 2011-2012 | Planned Spending 2012-2013 |
|---|---|---|---|---|
| Planned Spending (thousands of dollars) | 328,761 | **335,478** | 339,461 | 342,974 |
| Human Resources – Full-Time Equivalents (FTE) | 1,595 | **1,589** | 1,589 | 1,589 |

## **Program Activity** — Expected Results and Measures

| Expected Result | Performance Indicators | Current Target |
|---|---|---|
| Benefit recipients are provided timely and accurate eligibility determinations and payments, and have access to timely and accurate information | Percentage of the 10 service standards in force for benefit administration and enquiries which have met targeted performance standard | 100% |
| | Canada Child Tax Benefit (CCTB) overpayment debt as a percentage of payments issued | less than 0.4% |

# Our Priorities

### Making it Easier to Receive the Right Social Benefits

The CRA is a leader in providing tax and benefits services and we continually explore ways to improve service to Canadians. Working within a dynamic framework, we welcome new opportunities for partnerships with interested client governments to enable reliable single-window service delivery.

As more Canadian households access the Internet each year, we will further enhance and promote self-service options to reduce costs and provide timely and efficient taxpayer service. We will enhance My Account for Benefits — improving its presentation, making it easier to navigate, and adding account information for the new harmonized sales tax credits for Ontario and British Columbia

We will deliver three new benefit programs to Ontario and British Columbia

We will deliver three new benefit programs introduced as a result of Ontario's and British Columbia's decisions to harmonize their sales tax. These programs are the Ontario Sales Tax Transition Benefit, the Ontario Sales Tax Credit, and the British Columbia Harmonized Sales Tax Credit. We have launched the Automated Benefits Application service, which integrated the Canada Child Tax Benefit application with provincial and territorial birth registration processes, in Nova Scotia, British Columbia, and Prince Edward Island. We will work with other provinces and territories to expand this service over the next few years.

Our platform allows us to deliver programs and services for federal, provincial, and territorial government clients. We manage business growth and partnerships to provide the most effective program and service delivery possible, reducing the number of contacts that individuals must make to update program information, benefiting both government clients and recipients. The overall success of our program and service delivery is reflected in our growing number of government clients.

Providing timely and accurate payments to all our recipients is our first priority. To ensure that service levels will be met in the future, we are making additional investments in the modernization of our systems and working on initiatives to ensure that our delivery infrastructure will support core business and growth.

We will strengthen outreach by developing an integrated strategy

Through outreach, we assist benefit recipients in meeting their obligations and obtaining their entitlements in direct support of compliance with CRA administered legislation. Outreach focuses on changing attitudes and behaviours, influencing values, and providing messaging related to service and non-compliance. The Agency-wide direction for outreach is discussed in the section called Taxpayer and Business Assistance (PA1).

We are adding to our service quality by creating new electronic research options, by modernizing and improving our working and testing systems, by expanding training, and by strengthening our procedures manuals.

The electronic and telephone service channels complement each other to provide efficient and effective client support, ranging from supplying general information to dealing with complex account specific issues and transactions. Therefore, we will optimize service delivery channels in order to further this relationship.

We maintain the confidence of benefit recipients, taxpayers, and client governments by applying validation activities. We use a range of tools to verify the accuracy of information provided by individuals, focusing on the validation of information from population segments identified as high-risk. We also identify underpayments as well as overpayments. We are further refining our Benefit Examination Team to achieve greater program effectiveness and efficiencies. We are also developing new validation projects to improve targeting and to ensure optimal use of validation resources.

The program initiatives we will pursue over the planning period are listed in the following table.

## Priority Initiatives

| Initiatives | Deliverables | Dates |
|---|---|---|
| • Strengthen service to benefit recipients | • Develop new communication products targeted to newcomers to Canada | • 2010-2011 |
| | • Apply process management elements to develop national standards for our core programs | • 2010-2011 |
| | • Increase the number of provinces and territories using Automated Benefits Application | • 2010-2013 |
| | • Enhance E-services (My Account for Benefits) | • 2010-2013 |
| • Support business growth and partnerships | • Implement benefit programs related to new HST agreements | • 2010-2011 |
| | • Expand data exchange opportunities to additional clients under income verification programs | • 2010-2013 |
| | • Increase partnerships and innovate in delivery services, where feasible | • 2010-2013 |
| • Strengthen benefits delivery infrastructure | • Modernize the Taxfiler Representative Identification System | • 2010-2011 |
| | • Implement the Corporate Case System for core benefit workflows | • 2010-2012 |
| | • Modernize and make more flexible the Individual Identification System | • 2010-2013 |
| • Strengthen outreach | • Develop a CRA outreach strategy | • 2010-2011 |
| | • Develop integrated horizontal outreach plans | • 2010-2011 |
| | • Develop and implement responsible citizenship messages | • 2010-2013 |
| | • Develop a taxpayer segmentation model | • 2010-2013 |
| • Optimize service delivery channels | • Conduct analysis on channel demand, use, and integration | • 2010-2013 |
| | • Target taxpayer population segments through improved Web navigation, architecture, and content management | • 2010-2013 |
| | • Enhance and expand authoring and planning tools and business processes | • 2010-2013 |
| | • Enhance the quality assurance program, agent training, and agent tools | • 2010-2013 |
| • Ensure accurate payments | • Maintain and refine the validation programs to ensure that compliance risks are identified and addressed | • 2010-2013 |

## Internal Services (PA7)

Canada Revenue Agency Strategic Outcome
Tax Services
Taxpayers meet their obligations and Canada's revenue base is protected
Canada Revenue Agency Strategic Outcome
Benefit Programs
Eligible families and individuals receive timely and correct benefit payments

### Maintaining Business Sustainability

Maintaining business sustainability relates to the business conditions that foster excellence in program delivery through responsible management practices, such as effective accountability and oversight measures, as well as sound management of enterprise risk, human resources, information technology, business knowledge, information, and growth.

## Planned Spending by Program Activity

| | Forecast Spending 2009-2010 | Planned Spending 2010-2011 | Planned Spending 2011-2012 | Planned Spending 2012-2013 |
|---|---|---|---|---|
| Planned Spending (thousands of dollars) | 1,514,074 | **1,322,917** | 1,324,745 | 1,334,271 |
| Human Resources – Full-Time Equivalents (FTE) | 8,267 | **8,117** | 8,075 | 8,068 |

Although our long-term initiatives will promote the longer-term sustainability of the tax system, steps are currently being taken to arrive at the desired end-state. The initiatives listed on the following pages will be undertaken over the planning period to improve or enhance business sustainability.

### Improving our Human Resources Capacity

The recruitment and retention of skilled employees remains a priority for the Agency. In an effort to ensure that we are able to continue to meet our business objectives, we are implementing proactive measures to ensure that the capacity and capability of our human resources are sustained.

In the Sixteenth Annual Report to the Prime Minister on the Public Service of Canada, the Clerk of the Privy Council reinforced Public Service Renewal as a priority. The following four main areas will continue to be pursued under this initiative:

- Integrated business and human resources **planning**;
- Strategic **recruitment**;
- Investment in employee **development** to develop the skills that will meet our future needs; and
- **Systems and processes that** will **enable** us to effectively plan, recruit and develop.

The CRA remains a strong contributor to this government-wide effort. Our Agency Workforce Plan sets a forward agenda to support the integration of the management of its workforce in support of business objectives. It is an evergreen document and will continue to be revised on an annual basis to reflect our changing environment and emerging priorities. It clearly illustrates how we will address the priorities set in the Public Service Renewal Action Plan.

The CRA, as a separate employer, has sole authority to enter into collective agreements with bargaining agents. The Board of Management, following consultations with the Treasury Board of Canada Secretariat, provides direction on collective bargaining. Before we initiate collective bargaining with the our bargaining agents, we will identify essential services, manage potential issues, and identify risks.

#### Plan for and Acquire Talent

Our 2010-2011 to 2012-2013 Agency Workforce Strategy outlines the activities that we will undertake to ensure that we can continue to meet our business objectives. These activities will address knowledge transfer and retention and mobilization of talent.

Furthermore, we will continue to undertake succession planning for both the executive and non-executive cadres, implement items outlined in the Strategic Direction for Employment Equity covering fiscal years 2010-2011 to 2012-2013, and continue to roll out our Official Languages Action Plan.

We are committed to ensuring that we have the right people in the right place at the right time, while offering our employees outstanding career opportunities. To this end, the Agency has instituted Pre-Qualification Processes (PQPs), where candidates applying for permanent positions with the Agency must demonstrate the competencies required for the position. The Agency's Competency Based Human Resource Management (CBHRM) approach includes tools and processes that facilitate the assessment of applicants' competencies. The CBHRM competencies are measurable or observable knowledge, skill, ability or behavioural characteristic that contributes to successful job performance.

- We will fully implement end-state pre-qualified pools

The Agency is committed to fully implementing its End-state PQP which requires that, for all selection processes, applicants have the required base competency profile and levels for the posted job in advance. We will fully implement End-State PQP to significantly reduce the time to staff and ensure the CRA has the talent to meet its business needs.

In addition to post-secondary recruitment, we will acquire new talent as part of the harmonization of provincial sales taxes in Ontario and British Columbia. New employees from the two provinces will be integrated into the CRA over the next three fiscal years.

#### Retain and Mobilize Talent

We will support workplace excellence through the promotion of a respectful workplace linked to our 2008 Public Service Employee Survey results. We will reinforce the application of our standards of ethics in our day-to-day business activities, and we will further strive to ensure co-operative and productive relationships with our bargaining units. We will provide opportunities for employee movement throughout the organization through talent management and succession planning activities.

#### Develop Talent

Investing in employee development continues to be a commitment of the CRA. We will implement a directive and tools that are aligned with our new Learning Policy that are designed to support the planning and evaluation of learning activities.

The sustainability of the management cadre is essential to ensuring the sustainability of the CRA. To this end, we will expand our management development programs by increasing the number of employees participating in these programs. We intend to attract even more individuals from the employment equity groups into the program.

### IT Responsiveness and Sustainability

Our IT strategy consists of enhancing the business-IT alignment, delivering continuous process improvement, and ensuring a knowledgeable, skilled and engaged IT workforce. In support of our aim to deliver on existing and future commitments, strategic investments will be made to ensure the currency of the Agency's applications portfolio and Data Centre facilities.

The CRA's programs and services depend on a complex information technology infrastructure environment. This infrastructure is both aging and complex. Although we have internally funded significant redesign efforts in the past, our capacity to continue to do so in the future is severely limited. The steps taken to address these pressures, in particular formalizing the Strategic Investment Plan, confirm that our ability to reallocate internally to address this investment challenge has been greatly diminished and most opportunities for significant efficiency gains have already been exhausted.

We need to be able to respond in the future with the same speed and rigour that we have consistently shown, most recently with the implementation of the Government of Canada's Economic Action Plan. We were asked to quickly implement changes to tax brackets, the basic personal amount, and the Working Income Tax Benefit as well as the introduction of

important new measures like to Home Renovation Tax Credit and the First Time Home Buyers Tax Credit. We worked very quickly to implement these measures to ensure that Canadians had all of the information and tools necessary to take advantage of them.

Our IT security landscape demands constant vigilance, and we are continually evolving our security posture to address increasingly complex cyber-threats. Our development of a credential and identity management service will enable an expansion of our suite of electronic services, while also providing further opportunity to collaborate with provinces and other business partners.

The next major productivity enhancing focus for us is to empower the knowledge-worker through intelligent risk driven workload selection, enterprise content management, workflow management, and collaboration tools. Our challenge will be to develop the tools best suited to our organization, and integrate them into our complex infrastructure.

**Bolster Our IT Infrastructure and Solutions**

During the planning period, we will develop and advance our data centre recovery and business continuity planning to ensure recoverability efforts continue to meet business requirements for all of our systems. Additionally, we will further develop our multi-year asset management plan to support the life cycle management of our IT assets.

We will also advance our Enterprise Content Management (ECM) Program to address business demands and improve productivity. ECM will provide a CRA-wide approach to the cohesive management of unstructured content with a technical solution to support our Information Management Strategy. Through the use of ECM and supporting technologies, we will strategically position the CRA to align with government and industry practices as it focuses on delivering document management, records management, enterprise search, and collaboration capabilities.

Given that we have a very large Internet presence and manage enormous amounts of confidential taxpayer data, we will strive to meet higher security and service levels and be a leader in achieving operational excellence with regard to protecting our data and other IT assets.

We will evolve our IT security program to ensure that we continue to be at or above the IT security recommendations set out for the Government of Canada. To that end, a multi-year Secure Data Network and Assets (SDNA) Program has been launched. The first phase of this program will deploy security software to provide Network Access Control, Anti-Spyware, and Host Intrusion Prevention for all CRA and Canada Border Services Agency (CBSA) computer workstations.

We will also undertake options analysis for three additional projects that make up Phase II of the SDNA program. These include encryption of data stored on backup tapes in the distributed environment, protection against internet-based denial of service attacks, and network encryption to protect data that must travel across the entire CRA network.

We will maintain our focus on providing a stable, secure, and highly available distributed computing environment through careful planning, recognizing that this infrastructure will continue to evolve and mature.

The CRA provides IT services and Corporate Administrative System services to the CBSA. We will work in partnership with the CBSA to support the significant change agendas of both agencies and to develop plans that integrate the IT business priorities of both agencies.

We will continue to play a leadership role in evolving the Government of Canada's business and technology models for electronic service delivery by sharing best practices with our partners and by participating in the Treasury Board Secretariat's committees and work teams.

## Ensure Secure Management of Protected Taxpayer Information

To continue to ensure that the proper controls are in place to prevent the inappropriate access and/or disclosure of information, we will pursue two initiatives.

We will strengthen information technology security

First, we will carry out our Identity and Access Management Project to standardize processes used to manage access to our data, thereby ensuring compliance with our security policies and rules. Second, in order to ensure that we have a comprehensive strategy for identifying and managing the risk of internal fraud across the Agency, we will develop a comprehensive Internal Fraud Control Program and explore further opportunities such as modernizing the National Audit Trail System's technology.

These will form part of our Corporate Security Strategy, that is under development. Its objective is to ensure that CRA data, information, and assets continue to be protected from all current and future threats. Among other things, this strategy will be used to validate and prioritize proposed security initiatives on an ongoing basis.

#### Access to Information and Privacy

The CRA will continue to meet the legislative requirements of the *Access to Information Act* and *the Privacy Act*, and will provide guidance, policy advice, and training to employees on their obligations under these acts. In particular, we will expand our Access to Information and Privacy awareness program across the Agency to include training that emphasizes general privacy principles and the Treasury Board of Canada Secretariat's directive on privacy impact assessment. Furthermore, we are exploring the implementation of a chief privacy officer to strengthen the privacy governance structure and to have a central focus for privacy management and overall privacy leadership.

#### Manage Business Information

Information management relates to the operational necessity of identifying, managing, and safeguarding information that is required for decision-making, policy-making, or accountability purposes. To support this priority, we will enhance our information management practices by implementing an Information Management Strategy to ensure that our information and data products are of the highest quality.

Our Agency Intranet Program will lead the way in our development of Information Management initiatives. We will increase our capacity to effectively manage business demands within the intranet environment, deliver intranet content in support of employee and business needs, create a sustainable and responsive environment, and respond to growing business demands in the areas of virtual management and collaboration.

### Accountability and Oversight

Having accountability structures that ensure sound financial and risk-management practices are in place and followed is essential to helping us realize our vision.

#### Reinforce Accountability and Oversight

We are implementing a number of measures to gain greater assurance that appropriate internal control over financial reporting is operating effectively. These measures will provide assurance that our financial reporting is reliable and significant risks to accurate financial reporting are identified and addressed. They will also respond to audit and reporting requirements under federal-provincial tax collection agreements, to recent policy developments in the area of financial management at the Treasury Board of Canada Secretariat, as well as to the new provisions of the *Financial Administration Act*.

The new Treasury Board Policy on Internal Control that came into effect on April 1, 2009, requires deputy heads and chief financial officers to sign a revised annual statement of management responsibility. Consequently, one of the initiatives we have launched is the Chief Executive Officer (CEO)/Chief Financial Officer (CFO) Certification Process. This process will ensure that the Commissioner (who is also the CEO) and the CFO have sufficient information on internal control over financial reporting to fulfil their responsibilities under the new policy. It will also improve the quality, reliability, and transparency of our financial reporting to stakeholders. In addition, the certification process will generate information that will respond to the new provisions of the *Financial*

*Administration Act*, which designate deputy heads as the accounting officers for their organizations. This role requires them to appear before parliamentary committees to answer questions about measures taken to maintain an effective system of internal control.

### Refine our Strategic Investment Plan

In 2009-2010, we implemented a number of enhancements to our investment planning and monitoring framework, including the implementation of practices intended to further mature the project portfolio management approach in the CRA and the development of a long-term strategic investment plan (SIP). The purpose of the SIP is to clearly define strategic investment priorities, to more effectively communicate the magnitude and nature of the investment challenges and risks we will face over the next ten years, and to provide better information to senior management for decision-making. It is intended to complement our existing strategic planning processes to improve long-term planning and the allocation of available investment resources.

> We will update our strategic investment plan periodically to align with corporate risks and priorities

The SIP will be further refined in 2010-2011 (and periodically thereafter) to ensure sustained alignment with corporate risks and priorities. Our project portfolio management approach to investment planning will also be facilitated by the implementation of a new project management tool, integrated with our Corporate Administrative System, and related improvements to our project management and oversight framework.

### Employ Risk Management Consistently and Systematically

Our Enterprise Risk Management Program was created to ensure that we develop and implement a systematic and comprehensive approach to managing risks that is fully integrated into our strategic, operational, and financial decision-making processes.

Over the planning period, we will focus on further embedding risk information into key CRA processes to achieve true risk convergence. We will implement a risk monitoring and reporting framework to evaluate the effectiveness of risk action plans. In addition, we will continue to build our risk management capacity through the delivery of risk management training.

### Telephony Infrastructure Renewal

As a result of evolving industry technology standards, the CRA will have to change its telephony general office systems and infrastructure technology as part of its infrastructure sustainability plans. Although the principle driver for change is sustainability, the new technology will provide opportunities to adopt leading edge tools for CRA office workers where warranted.

The strategy for the renewal will be to maximize the life span of the existing telephone systems, while minimizing the need for major capital infusions during any one fiscal period.

### Sustainable Development Strategy

Successive CRA sustainable development strategies have collectively modified the way the CRA acquires, uses, and disposes of assets since 1997. Through strategic interventions, the CRA continues to:

- reduce the impact of its operations on land, air, and water; and
- deliver its services in a more sustainable manner.

These goals have been realized through systematic efforts to:

- engage employees and equip them to apply sustainable development practices in their job; and
- modernize the systems and processes that support and maintain sustainable development practices in the workplace.

As the CRA aligns itself with the requirements of the new *Federal Sustainable Development Act* (June 2008), the focus of its Sustainable Development Program for the planning period will be on:

- extending the current CRA Sustainable Development Strategy 2007-2010 by one year; and
- preparing and implementing the CRA Sustainable Development Strategy 2011-2014.

The new Sustainable Development Strategy will both respond to the pending Federal Sustainable Development Strategy 2010-2013 and support the CRA's priorities by further integrating sustainable development into CRA business and operations.

For more information on the CRA's sustainable development program, please visit the CRA's Web site: www.cra.gc.ca/gncy/sstnbl.

### Further Tax Harmonization

The Government of Canada and the provinces of Ontario and British Columbia have agreed to implement the harmonized sales tax (HST) on July 1, 2010. This will replace existing provincial sales taxes and the federal goods and services tax. Through tax harmonization, we lever our tax administration infrastructure to eliminate administrative duplication and enable enhanced delivery of single-window services.

This is a major development in Canadian tax administration that builds on the success of harmonizing sales taxes in New Brunswick, Nova Scotia, and Newfoundland and Labrador, and the more recent transfer of Ontario's corporate tax administration to the CRA.

We will undertake a number of activities to ensure that both the CRA and taxpayers are ready for July 1, 2010. This includes changing our systems to accommodate new requirements to ensure taxpayers are provided with information necessary to comply with the new law. In addition, a number of compliance programs will be modified to reflect the potential for increased risks associated with collection of the new revenues.

## Priority Initiatives

| Priorities | Deliverables | Dates |
|---|---|---|
| • Plan for and acquire talent | • Develop and implement our 2010-2011 to 2012-2013 Agency Workforce Strategy | • 2010-2011[1] |
| | • Bring former provincial staff on board as a result of sales tax harmonization | • 2010-2013 |
| • Retain and mobilize talent | • Implement elements outlined in our Agency Workforce Strategy for a respectful workplace | • 2010-2011[1] |
| • Develop talent | • Implement the elements outlined in the Agency Workforce Strategy related to leadership development, employee orientation, and learning strategies for key jobs | • 2010-2011[1] |
| • Bolster our information technology infrastructure and solutions | • Evolve governance for the Application Sustainability Program | • 2010-2011 |
| | • Develop an interim risk mitigation solution to enable transfer of services from our primary Data Centre to our secondary Data Centre | • 2010-2011 |
| | • Develop long term Enterprise Content Management deployment plan in collaboration with major IT and business stakeholders | • 2010-2011 |
| | • Partner with Public Works and Government Services Canada and the Bank of Canada on plans for a new data centre facility | • 2010-2013 |
| | • Implement interim environmental upgrades at our data centres | • 2011-2013 |
| • Reinforce Accountability and Oversight | • Develop a statement of management responsibility including internal control over financial reporting | • 2011-2012 |
| | • Obtain CEO and CFO sign-off on the first annual revised statement of management responsibility for the 2010-2011 financial statements | • 2011-2012 |
| | • Obtain CEO and CFO sign-off on the second annual revised statement of management responsibility for the 2011-2012 financial statements | • 2012-2013 |
| • Refine our Strategic Investment Plan | • Update the strategic investment plan | • 2010-2011 |
| | • Implement an integrated project management tool for major new investment projects | • 2010-2011 |
| • Employ risk management consistently and systematically | • Update the Corporate Risk Inventory 2009 and develop key risk indicators | • 2010-2011 |
| | • Develop the Corporate Risk Inventory 2011, establish partnership and convergence opportunities, and streamline risk and performance reporting | • 2011-2012 |
| | • Develop our CRA Risk Action Plan | • 2012-2013 |
| | • Finalize the Risk Management Learning Strategy Evaluation Report | • 2012-2013 |
| • Ensure secure management of protected taxpayer information | • Implement host intrusion protection technology on desktops and laptops | • 2010-2011 |
| | • Implement network access control technology | • 2010-2011 |
| | • Advance the Identity and Access Management Project and the Internal Fraud Control Program | • 2010-2013 |
| | • Finalize and advance the Corporate Security Strategy | • 2010-2013 |

| Priorities | Deliverables | Dates |
|---|---|---|
| • Further Tax Harmonization | • Ensure the successful transition of provincial employees to the federal government | • 2010-2013 |
| | • Provide timely data for the determination of HST payments to the provinces ensuring a significant level of confidence in its accuracy | • Ongoing |
| • Enhance sustainable development | • Extend the current CRA Sustainable Development Strategy 2007-2010 by one year | • 2010-2011 |
| | • Prepare and implement the CRA Sustainable Development Strategy | • 2011-2014 |
| • Enhance social media projects | • Create a social media framework to act as a guide when considering the use of social media | • 2010-2011 |
| | • Develop social media sub-strategies for major communication and marketing initiatives | • 2010-2011 |
| • Enhance CRA Web site strategic plan initiatives | • Undertake research to better understand Canadians' expectations for services such as channel preferences, use patterns, and motivators or barriers to migration to the Web | • 2010-2011 |
| | • Implement new Web technologies to facilitate communication and collaboration | • 2010-2012 |
| • Manage business information | • Complete the primary functional information classification scheme and retention periods for all branches and regions | • 2010-2011 |
| | • Undertake Intranet Content Management Solution pilots with Headquarters and/or participating regions | • 2010-2011 |
| | • Develop an implementation plan for Phase 1 of the Collaboration Roadmap | • 2010-2011 |
| | • Advance the development and implementation of detailed functional information classification through options analysis and detailed planning | • 2010-2012 |
| • Complete our service standards review | • Service standard review final report and undertake implementation plans | • 2010-2013 |

[1] Our Agency Workforce Strategy identifies specific timelines

## Canada's Economic Action Plan Initiatives

Through Canada's Economic Action Plan the federal government is providing significant new personal income tax relief. The measures were effective as of January 1, 2009, and are providing benefits, particularly for low- and middle-income Canadians.

The Canada Revenue Agency has implemented many of the Economic Action Plan initiatives like personal income tax relief and an increased Working Income Tax Benefit, as well as other measures targeted to help families, seniors, workers, and persons with disabilities. We administer tax measures designed to stimulate Canada's economy and help lay a solid foundation for future economic growth, job creation, and a higher standard of living for all Canadians.

We also administer corporate income tax reductions that help position Canadian businesses to weather the effects of the current global economic challenges; to maintain and create jobs; and to emerge from the economic downturn even stronger.

We are committed to ensuring that Canadians have the information they need to take advantage of the tax savings that can help put money back in their pockets during these difficult economic times. In February of 2009, shortly after the introduction of the Economic Action Plan, our minister announced the launch of the 'You've earned it. Claim it.' advertising campaign to inform Canadians of the tax credits and benefits available to them.

The Economic Action Plan highlighted the following programs that we administer and deliver on behalf of Canadians:

The **Working Income Tax Benefit Program** provides a refundable tax credit intended to provide tax relief for eligible working low-income individuals and families who are already in the workforce and to encourage Canadians to enter the workforce. As part of Economic Action Plan, the federal government has increased funding to this program by $580 million for 2009 and later years.

The **Canada Child Tax Benefit (CCTB) Program** provides a tax-free monthly payment made to eligible families which is intended to help them with the cost of raising children under the age of 18. Through the Economic Action Plan, the federal government has raised the level at which the National Child Benefit Supplement amount for low-income families and the CCTB are phased out, so that eligible families with two children can receive an additional benefit of up to $436 starting in July 2009.

For the 2009 tax year, the **Home Renovation Tax Credit (HRTC) Program** provides a non-refundable tax credit for eligible expenses incurred for work performed or goods acquired for an eligible dwelling. The HRTC provides about $3 billion in tax relief and is part of the $62 billion in stimulus delivered through the Economic Action Plan.

# Financial Highlights

The future-oriented financial highlights presented within this Report on Plans and Priorities (RPP) are intended to serve as a general overview of the Canada Revenue Agency (CRA) financial position and operations. These future-oriented financial highlights are prepared on an accrual basis to strengthen accountability and improve transparency and financial management.

Future-oriented financial statements can be found on CRA's Web site at: www.cra.gc.ca/rppe

For the Year (Ended March 31)

**($ millions)**

| Condensed Statement of Financial Position | Future-oriented 2010-2011 | Future-oriented 2009-2010 |
|---|---|---|
| Assets | | |
| Financial assets | 176.4 | 165.0 |
| Non-financial assets | 554.3 | 525.7 |
| **Total** | 730.7 | 690.7 |
| | | |
| Liabilities | 1,019.4 | 984.6 |
| Net Liabilities | -288.7 | -293.9 |
| **Total** | 730.7 | 690.7 |

Capital assets totalling $537.1M comprise most of the Agency's Assets for 2010-2011, with software ($490.0M) being the largest asset class, as the CRA looks to take advantage of the newest technology in delivering its programs and services to Canadians. Net Liabilities represent liabilities incurred by the Agency which are expected to be funded by appropriations in future years, as they are paid.

For the Year (Ended March 31)

**($ millions)**

| Condensed Statement of Operations | % Change | Future-oriented 2010-2011 | Future-oriented 2009-2010 |
|---|---|---|---|
| Expenses | | | |
| Total Expenses | -5.10% | 4,404.7 | 4,641.5 |
| Non-Tax Revenues | | | |
| Total Non-Tax Revenues | 3.34% | 572.2 | 553.7 |
| **Net Cost of Operations** | -6.25% | 3,832.5 | 4,087.8 |

The chart below outlines the Agency's future-oriented total expenses for 2010-2011. It is projected that total expenses will be $4,404.7M for the coming fiscal year.

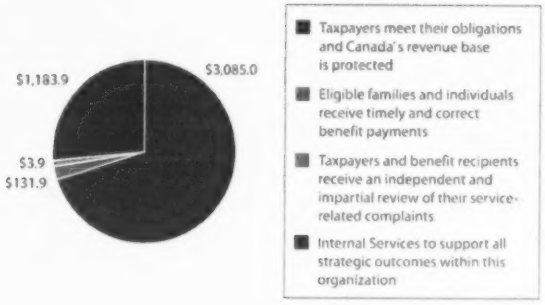
Most of these expenses ($3,085.0M) will be directed at enhancing CRA's capability to achieve its first strategic outcome: Taxpayers meet their obligations and Canada's revenue base is protected. CRA will focus on Tax Integrity and Strengthening Services. Tax Integrity will be achieved by making it harder to be non-compliant by actively and consistently addressing the promotion of non-compliance and improving communication and information-sharing with federal and international stakeholders to permit rapid response to emerging compliance threats. Strengthening Service will be achieved by making it easier for taxpayers to comply by carrying out CRA's Service Strategy to expand self-service options, optimize telephone service, and fine-tune the outreach and communication efforts.

$131.9M in expenses will be used to meet CRA's second strategic outcome: Eligible families and individuals receive timely and correct benefit payments. To maintain a strong performance in benefit programs delivery, CRA's focus will mostly be on Strengthening Service and Benefits Validation. Strengthening Service will be achieved by improving communications and enhancing electronic service offering. Benefits validation will be achieved by creating a credible enforcement presence and by educating benefit recipients about their rights and obligations.

$3.9M in expenses will be used to support CRA's third strategic outcome: Taxpayers and benefit recipients receive an independent and impartial review of their service-related complaints with the Taxpayers' Ombudsman activity.

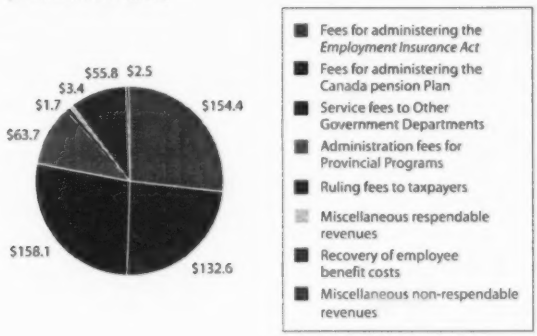
Finally, $1,183.9M in expenses will be used in support of internal services. Internal Services activities are those that apply across the organization and not to a specific program. These include activities such as Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Travel and Other Administrative Services.

**Future-Oriented Expenses 2010-2011**
(in millions of dollars)


$1,183.9
$3,085.0
$3.9
$131.9
Taxpayers meet their obligations and Canada's revenue base is protected
Eligible families and individuals receive timely and correct benefit payments
Taxpayers and benefit recipients receive an independent and impartial review of their service-related complaints
Internal Services to support all strategic outcomes within this organization

The chart below outlines the CRA's future-oriented total non-tax revenues for 2010-2011. It is projected that total non-tax revenues will be $572.2M for the coming fiscal year. The majority of these non-tax revenues ($287.0M) are revenues credited to Vote 1 and are expected to come from the administration of the *Employment Insurance Act* ($154.4M) and the Canada Pension Plan ($132.6M). While 40% ($226.9M) are non-tax revenues available for spending and are expected to come from service fees to Other Government Departments ($158.1M), Administration fees for Provincial Programs ($63.7M), Ruling Fees to taxpayers ($1.7M), and other miscellaneous Respendable fees and changes ($3.4M). The remaining 10% ($58.3M) are non-tax revenues not available for spending and will come from the recovery of employee benefit costs relating to non-tax revenues credited to Vote 1 and revenues available for spending ($55.8M) as well as other miscellaneous non-respendable non-tax revenues ($2.5M).

**Future-Oriented Non-tax Revenues 2010-2011**
(in millions of dollars)

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- Table 2.2: Payments to Provinces under the *Softwood Lumber Products Export Charge Act, 2006*

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Table 1: Agency Planned Spending and Full-Time Equivalents
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Canada Revenue Agency Future-oriented Financial Statements

## Service Standards at the CRA

Our service standards regime is a vital and integral part of our planning, reporting, and performance management processes. Meeting our service standards targets demonstrates that we are responsive to the needs of taxpayers and benefit recipients. This helps establish credibility in our operations and contributes to increasing the level of confidence that Canadians can place in government.

For more information on our Service Standards, please visit the CRA Web site at:
http://www.cra.gc.ca/gncy/stndrds/menu-eng.html

## Green Procurement

For more information on the CRA's green procurement program, please visit the Treasury Board of Canada Secretariat's Web site: http://www.tbs-sct.gc.ca/rpp/2010-2011/inst/nar/st-tstb-eng.asp

## Internal Audits and Evaluations

For more information on the Agency's Internal Audits and Evaluations, please visit the Treasury Board of Canada Secretariat's Web site: http://www.tbs-sct.gc.ca/rpp/2010-2011/inst/nar/st-tstb-eng.asp